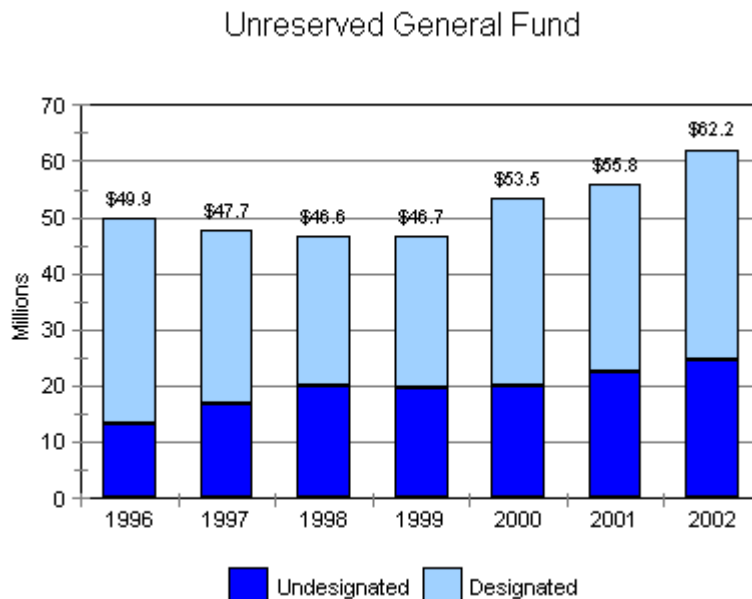


Statement Of Estimated General Fund Balance

Unreserved General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures — often referred to as "surplus" — that is available for appropriation by City Council. This is in comparison to the Reserved General Fund Balance which represents monies that have been reserved to pay for legal obligations of the City such as for purchase order encumbrances. Maintaining a prudent level of unreserved General Fund balance is critical to ensuring that the City is able to cope with financial emergencies and fluctuations in revenue cycles. General Fund balance also provides working capital during temporary periods when expenditures exceed revenues.

The graph below shows total actual unreserved and undesignated General Fund balance from FY 1996 through FY 2001, and projected fund balance at the close of FY 2002. As shown in the chart, after nearly four years of declining fund balance, in FY 2000 the City had replenished unreserved fund balance to its highest level since FY 1996. As proposed, the budget recommends use of a certain portion of fund balance for capital projects, in addition to pay-as-you-go capital funding. Projected unreserved fund balance (the total amount available for appropriation, regardless of designations) is estimated to be \$62.2 million at June 30, 2002, which represents 17.3 percent of FY 2002 projected General Fund revenues. The City Council's adopted debt policies indicate that unreserved General Fund balance that is comparable to the ratio maintained by other double triple-A rated jurisdictions is desirable, but it is not to fall below 10 percent of General Fund revenues. In order to maintain the current level of undesignated fund balance into future years, the "pay-as-you-go" portion of capital projects will need to be funded largely out of current revenues in future years, rather than relying extensively on the one-time revenue source of fund balance to meet capital needs without additional borrowing.

The City Council's adopted debt-related financial policies are reproduced in the appendices section of this document. The debt policies are followed by a Layperson's Guide to Fund Balance based on the report prepared by the Budget and Fiscal Affairs Advisory Committee.

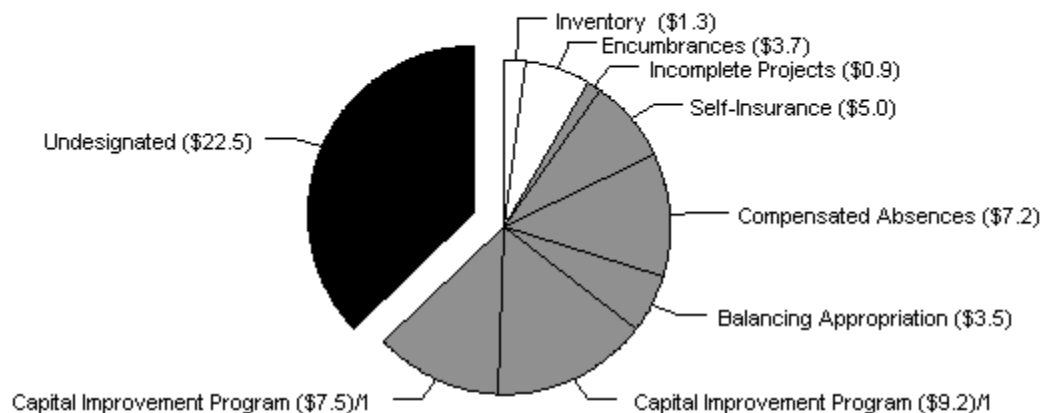


City of Alexandria General Fund Fund Balance

This pie chart shows all of the component parts of General Fund balance (reserved, designated and undesignated) as of June 30, 2001.

Fund Balance as of June 30, 2001

\$60.8 million



Reserve monies - not available for appropriation.

The remaining components of fund balance comprise unreserved fund balance.



Designated monies - These designated reserves are to help the City offset the cost of the specific type of obligation for which the funds are earmarked. Although technically available for appropriation, these monies are generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies.



Undesignated - This is the amount of money generally considered to be the City's reserve fund.

/1 Designations for the Capital Improvement Program include \$7.5 million designated for the FY 2002 CIP and \$9.2 million designated for the FY 2003 CIP.

Statement of Estimated General Fund Balance

City Council's debt related financial policies, originally adopted in June 1987, and subsequently reaffirmed and updated on December 9, 1997, established a limit of 4 percent and a target of 5.5 percent for undesignated General Fund balance as a percentage of General Fund revenue, and established a limit of 10 percent for unreserved General Fund balance as a percentage of General Fund revenue. Designated fund balance are reserves funds "earmarked" to help the City offset the cost of a specific type of obligation. Although technically available for appropriation, these monies are not generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies. Undesignated fund balance is the amount of money considered to be the City's reserve fund. As with all monies in fund balance, it is a one-time source of revenue.

Reflecting City Council's priorities in setting aside resources for contingencies and other specific purposes, unreserved General Fund fund balance includes the following designated resources at June 30, 2001:

- \$3,506,000 appropriated in fiscal year 2001 to balance the fiscal year 2002 budget as approved by City Council;
- \$5,000,000 to cover possible costs of the City's self-insurance program covering general liability, motor vehicle liability and workers compensation (previously approved in the context of discussions on the self-insurance program);
- \$7,208,635 to cover approximately 50% of the estimated liability for the City's compensated absences. This designation category was originally designed in FY 1990 to mitigate the anticipated effects of changes in the financial reporting model which was eventually adopted by the Government Accounting Standards Board (GASB) in June 1999;
- \$16,700,000 for capital expenditures, designated for capital projects contained in prior Capital Improvement Program budgets (CIP), including \$7,500,000 designated for the FY 2002 CIP and \$9,200,000 designated for the FY 2003 CIP; and
- \$890,895 for operating fund projects that are incomplete as of June 30, 2001.

After accounting for these designations, undesignated General Fund fund balance at June 30, 2001 was \$22,519,957. The \$22.5 million in the undesignated fund balance was equal to 6.7 percent of FY 2001 actual General Fund revenues, compared with a floor of 4 percent and a target of 5.5 percent, as established by City Council's debt related financial policies. Unreserved fund balance as of June 30, 2001, of \$55.8 million was equal to 16.6 percent of FY 2001 actual General Fund revenues, compared with a City Council-established limit of 10 percent.

Statement of Estimated General Fund Balance

Designations in the Approved Fiscal Year 2003 Budget

In the fiscal year 2003 operating budget, City Council approved the following changes in designations:

- The appropriation from fund balance required to balance the FY 2002 budget is \$9,816,624. As shown in the Statement of Estimated Undesignated Fund Balance, the City does not anticipate using the FY 2002 balancing appropriation from Fund Balance of \$3,506,000. The FY 2003 balancing appropriation results in an increase in the designation for the upcoming budget of \$6,310,624, from \$3,506,000 in FY 2002 to \$9,816,624 designated for the fiscal year 2003 budget. While a substantial increase, the \$9.8 million remains below the \$14.2 million planned FY 2003 General Fund transfer to the Capital Projects Fund, and thereby insulates the General Fund operating budget from any unforeseen revenue shortfalls in FY 2003 and FY 2004.
- To help meet the projected cash capital funding requirements for projects contained in the Approved Capital Improvements Program, \$6,400,000 is designated for capital projects in FY 2003 of the FY 2003 to FY 2008 Approved Capital Improvement Program, this is in addition to the \$9,200,000 previously designated for capital projects in FY 2003.

Based on projected revenues and expenditures in fiscal year 2002, the undesignated General Fund balance at June 30, 2002 is currently estimated to be \$24,545,583, or 6.8 percent of projected FY 2002 General Fund revenues; and the unreserved General Fund balance is estimated to be \$62,170,842, or 17.3 percent of projected General Fund revenues.

Statement of Estimated Undesignated Fund Balance
at June 30, 2002

Components: Unreserved Fund Balance (Note: columns 1 plus 2 equal total unreserved fund balance)			
	(1) Undesignated Fund Balance	(2) Designations	(3) Unreserved Fund Balance
Fund Balance as of June 30, 2001 (per Comprehensive Annual Financial Report)	\$22,519,957	\$33,305,530	\$55,825,487
Add to total fund balance the projected variance in General Fund revenues for FY 2002/*	9,036,250		9,036,250
Add to total fund balance the projected variance in General Fund expenditures for FY 2002/**	5,700,000		5,700,000
Less: Expected expenditure of unreserved fund balance designated in FY 2001 for events occurring subsequent to June 30, 2001			
Capital projects designation		(7,500,000)	(7,500,000)
Incomplete Operating Fund Projects		(890,895)	(890,895)
Changes in Designations at June 30, 2002 (These changes in designations do not impact unreserved fund balance.)			
Add: Net change in balancing appropriation for the FY 2003 operating budget /***	(6,310,624)	6,310,624	
Less: Recommended additional designation for capital projects contained in the FY 2003-FY 2008 Capital Improvement Program beyond \$9.2 million previously designated	(6,400,000)	6,400,000	
Sum of above changes to show Estimated Fund Balance at June 30, 2002	<u>\$24,545,583</u>	<u>\$37,625,259</u>	<u>\$62,170,842</u>
Estimated Fund Balance as % of FY 2002 General Fund Revenue	6.8%		17.3%
Target per financial policies	5.5%		10.0%

Notes:

- /* FY 2002 projected variance based on projected FY 2002 revenues of \$359,207,800 less the FY 2002 Approved revenue budget of \$350,171,550, for a net positive variance of \$9,036,250.
- /** FY 2002 projected variance based on projected FY 2002 expenditures compared to the FY 2002 Amended Budget of \$350,171,550.
- /*** The City does not anticipate using the FY 2002 balancing appropriation from Fund Balance of \$3,506,000. The FY 2003 balancing appropriation results in an increase in the designation for the upcoming budget of \$6,310,624, from \$3,506,000 in FY 2002 to \$9,816,624 designated for the fiscal year 2003 budget.

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